CSIS | CENTER FOR STRATEGIC & INTERNATIONAL STUDIES

Testimony before the House Committee on Foreign Affairs Subcommittee on the Western Hemisphere

Hearing on

U.S.-Bolivia Relations: Looking Ahead

March 3, 2009

Statement by

Peter DeShazo
Director, Americas Program
Center for Strategic and International Studies

U.S.-Bolivia Relations: Looking Ahead

Testimony before the
House Committee on Foreign Affairs
Subcommittee on the Western Hemisphere

March 3, 2009

Peter DeShazo
Director, Americas Program
Center for Strategic and International Studies[1]

The relationship between the United States and Bolivia has traditionally been close but complex. Many factors have conditioned the nature and course of bilateral relations, including international variables such as World War II, the Korean War, and the Cold War, Bolivia's national revolution in 1952, the juxtaposition between the world's largest economy and one of Latin America's poorest nations, and Bolivia's aspirations for national development. The United States has been the largest provider of bilateral aid assistance to Bolivia since the 1950s. From the mid-1970s, the U.S. helped to promote respect for human rights and a transition from military rule to democracy in Bolivia. Illegal narcotics became an increasingly large issue in bilateral relations during that period, as Bolivia evolved into a major producer of coca leaf and cocaine by the 1990s. While there have been sustained periods of close cooperation in U.S. – Bolivian relations, there were also moments of bilateral tension, such as the expropriation of Gulf Oil in 1969, the expulsion of the Peace Corps from Bolivia in 1971, the withdrawal of the U.S. ambassador and freezing of relations in the wake of the García Meza military coup in 1980, and periodic discord over narcotics issues during subsequent decades.

[1] CSIS does not take specific policy positions. Accordingly, all views, positions and conclusions expressed in this testimony should be understood to be solely those of the author.

Since the inauguration of Evo Morales as President of Bolivia in January 2006, bilateral relations have deteriorated seriously. Morales came to power at the head of an alliance of local political groups, labor and rural unions, civic organizations and a core support group of coca growers in the Chapare region of Cochabamba Department (state/province equivalent). During the campaign for the December 2005 election (which he won by 54% of the vote), Morales promised voters the vision of a total change in Bolivia that would wipe away the neoliberal economic policies in place since the mid-1980s along with the discredited traditional political parties that had promoted them. Appealing to a support base among indigenous peoples in Bolivia's highland departments, Morales called for the restructuring of the state and society on the basis of a new constitution that would greatly broaden indigenous rights and privileges, for the nationalization of hydrocarbons resources, and for a much larger state role in the economy. His campaign rhetoric was peppered with anti-U.S. references, vowing that if elected he would become a "nightmare" for the United States.

Morales' election presented the U.S. with a difficult foreign policy challenge. His majority support at the polls and the control of the lower house of Congress by his "Movement Towards Socialism" (MAS) organization gave him legitimacy and power, and U.S. policy converged with Morales' expressed desire to improve the lives of Bolivia's large indigenous population. Notwithstanding Morales' admiration for Cuba and for Venezuelan President Hugo Chávez and his clearly unfavorable view of the United States, policy makers in the U.S. pursued a course of constructive engagement while waiting to see how developments unfolded on the Bolivian side.

As President Morales maneuvered to bring Bolivia's key national gas industry under closer state control and to draft and win approval for a new constitution for the country, domestic politics became increasingly polarized between the government and its supporters in western highland departments and an opposition based in the four lowland departments in eastern Bolivia – the so-called "half moon." With increasing frequency, Morales played the anti-U.S. card to rally support in times of increased political tension,

accusing the American embassy and ambassador of all manner of plots to undermine his rule.

By mid-2008, the pace of deterioration in the bilateral relationship quickened. On the heels of the bitterly disputed autonomy referenda carried out in the eastern departments, a large crowd of government supporters staged a protest in front of the U.S. embassy in La Paz in June 2008. Bolivian police used tear gas to prevent them from breaking through police lines and assaulting the embassy. In response, the U.S. recalled Ambassador Philip Goldberg for consultations. Later that month, President Morales voiced support for the call by his *cocalero* (coca leaf grower) support base in the Chapare to expel the U.S. Agency for International Development (USAID) alternative development workers from the region. Within months, both USAID and Drug Enforcement Administration (DEA) personnel were forced to leave the Chapare as a result of *cocalero* pressure.

In September 2008, Morales expelled Ambassador Goldberg, again accusing him of meddling in Bolivia's affairs. Days later, the U.S. announced the "temporary suspension" of Peace Corps operations and removed the 113 volunteers from Bolivia. On the heels of this step, the U.S. designated Bolivia as failing to adhere to international counterdrug obligations, although granting a national security waiver so that U.S. assistance would not be cut. On September 26, President Bush announced that he proposed to suspend Bolivia's designation as a beneficiary country for U.S. trade preferences under the Andean Trade Preference Act (ATPA) and the Andean Trade Promotion and Drug Eradication Act (ATPDEA), citing Bolivia's failure to adhere to anti-narcotics commitments. In November, Morales ordered the DEA out of Bolivia altogether.

Looking forward, there is potential for repairing some of the damage to the bilateral relationship but there is also a strong possibility that it could deteriorate further. Much will depend on the positions and actions taken by President Morales. On January 25, 2009, Bolivians approved a new constitution promoted by the Morales government

that, among many other changes, makes Morales eligible to run for re-election in December. Putting the new constitution into effect presents Morales with a large challenge that is magnified by the political standoff between the MAS and the opposition forces in control of the regional governments in five departments. The favorable economic climate of past years based on high prices for Bolivia's commodity exports is at an end, and the Morales government will be limited by a downturn in income derived from the export of natural gas caused by lower prices and stagnating investment and production. These factors will put additional pressure on Morales as he gears up for presidential and legislative elections in December.

It is in the U.S. interest that Bolivia be stable and democratic, able and willing to meet its international obligations on matters related to regional security, including narcotics, and pursuing policies that will lead to sustained economic growth, poverty reduction, and improved standards of living for Bolivians. U.S. policy should be aimed at advancing these goals and promoting a bilateral relationship based on cooperation and mutual respect.

The inauguration of the Obama administration provides an opportunity for the U.S. to re-examine relations with Bolivia and perhaps put them on a more positive track. There are potential steps that could be taken to improve relations in the short term, and other very effective initiatives that could lead to strengthening ties over the mid-to-longer term. The most visible items on the bilateral agenda are those that have been central to the deteriorated relationship: lack of ambassadorial representation on either side, the suspension of Bolivia's trade preferences, and the issue of counternarcotics. These variables are to an important degree interrelated, and any significant improvement in the bilateral relationship will involve them all.

For starters, however, there must be a mutual desire to rebuild bilateral ties. The proverbial ball is not exclusively in the court of either side in this regard, although there must be a willingness on Evo Morales' part for improved relations if progress is to be made. The U.S. may undertake any number of initiatives, but realistically there will be

little improvement if Morales remains fixed in his negative outlook toward the United States. By all appearances, President Morales' views are an amalgam of political convenience, the influence of his mentor, Hugo Chávez, and his own personal mistrust and dislike of the United States. However willing other levels of the Bolivian government may be to work with the United States, top political leadership – Morales above all – will set the tone.

Nonetheless, it behooves the United States to take a first step toward improved relations. This could be done by a unilateral initiative aimed creating a positive environment, and then by a series of steps aimed at putting other pieces in the relationship back into place.

- After consultation with the Bolivian government to ensure their presence would be welcome, the United States could announce that it intends to return **Peace Corps** volunteers to Bolivia. The Peace Corps symbolizes the friendship of the American people with Bolivia and the announcement of its return would be well-received.

- Another opportunity to advance the bilateral agenda will likely occur in Trinidad and Tobago in April 2009 during the **Summit of the Americas**, where President Obama could underscore directly to President Morales the intention of the new U.S. administration to seek better relations with Bolivia based on mutual respect and to urge Bolivia to engage with the U.S. to bring this about.

- A rebuilding of the relationship beyond such steps would require quiet diplomacy and considerable patience. A key ingredient in moving ahead will be **Bolivian counternarcotics policy and its intersection with U.S. concerns**. Bolivia's record on illegal drugs is mixed, although with some positive aspects. Estimated coca cultivation has risen incrementally from an estimated 20,000 hectares in 2001 to some 29,000 in 2008. While hardly an explosion, the increase provides a substantially larger base for the processing of cocaine, most of which is trafficked into Brazil and Argentina and onward to Europe. Current Bolivian law limits coca production for legal use (chewing, coca tea,

ceremonies, etc.) to 12,000 hectares. The Morales administration, responding to its key base of political support among coca growers in the Chapare, seeks to increase the legal limit to 20,000 hectares, arguing that there is more need for licit coca. The Bolivian government has largely met or exceeded its goals for manual eradication of illicit coca since Morales came to power and Bolivian counter-drug police have been active in seizing illegal narcotics. The forced departure of the DEA from Bolivia, however, leaves a large gap in overall counter drug capability and sent a very negative signal to the U.S. and international law enforcement community.

- The narcotics issue will continue to influence bilateral relations and both countries should seek a common understanding in dealing with it. U.S. drug policies in Bolivia during the late 1990s, while resulting in a dramatic decline in coca production, also produced an adverse political reaction within the country that still reverberates to the detriment of U.S. interest. **A means must be found to work through the drug impasse**, which also inhibits Bolivia from receiving trade benefits under ATPDEA. If the DEA remains out of Bolivia – which appears likely at this time – the Government of Bolivia needs to demonstrate to U.S. and international opinion that it is prepared to take additional steps to try to fill the gap in counternarcotics capability and display a rekindled desire to work with the U.S. on this issue.

- Progress on the narcotics front could unlock the door to restoring **Bolivia's ATPDEA designation**. That would be a very positive step. Access to the U.S. market under ATPDEA helped create thousands of manufacturing jobs in Bolivia, many of them concentrated in the heavily indigenous city of El Alto outside of La Paz in labor-intensive sectors such as textiles, apparel, jewelry, and furniture. Export-led opportunities from ATPDEA injected an important entrepreneurial dynamic into Bolivia's perennially weak private sector, providing an important example of job creation beyond state employment. While levels of imports to the U.S. from Bolivia under ATPDEA are minuscule in relation to the overall U.S. trade, restoring eligibility to ATPDEA benefits would benefit thousands of working class Bolivians and send a positive signal of U.S. support for private initiative in that country.

- The **exchange of ambassadors between Bolivia and the United States** should come at a time when relations are clearly on the road to improvement. Ambassador Goldberg was the target of frequent and baseless accusations by the government of Bolivia and his expulsion unjustified. There is no need to name a new ambassador to Bolivia only to face similar treatment. On the other hand, should future steps by the Morales government signal a desire to put the bilateral relationship on a more positive track, the U.S. should name a new envoy.

- Regardless of the outcome of any of the above variables, the United States should maintain – or better still, augment – its **bilateral assistance to Bolivia** through USAID and other mechanisms. USAID has a sustained record of cooperation with a constellation of Bolivian organizations in advancing development goals across the board. Its projects and activities help to: promote community development around the country leading to improvements in infrastructure, sanitation, and health; provide alternative development possibilities in coca-growing areas; support small-scale indigenous farmers on the *altiplano;* build and staff integrated justice centers where working class Bolivians can obtain legal services; enhance the work of municipalities; and promote democracy-building measures. Such programs build bridges between the United States and the people of Bolivia and support national development.

- Other important mechanisms exist for **strengthening people-to-people ties**. They include academic and professional exchanges such as the Fulbright and Humphrey scholarships, the State Department's International Visitor Program that brings Bolivian leaders in many different fields for short-term visits to the U.S., private sector exchanges, and cultural presentations. The U.S. government should increase its levels of support to the five "Bolivian-American Centers" (in La Paz, Cochabamba, Santa Cruz, Tarija and Sucre), which for many decades have been key institutions in promoting bilateral friendship and have taught English to generations of Bolivians. Additional funding would allow these "binational centers" to reach out more effectively to working class and indigenous populations with scholarships to study English– a vital skill in a globalizing

economy and a door-opener for study in the United States. There is no more cost-effective means of promoting long-term friendship and understanding than through these cultural and academic programs.

Bolivia will continue to be a country in flux. The implementation of the new constitution will present many challenges to a political system in which confrontation often trumps consensus and deep ethnic and regional divisions exist. The Obama administration should approach Bolivia with patience and realistic expectations, seeking constructive engagement with the people of that country and, to the extent possible, with its government. It should continue, as it has done in the past, to avoid a war of words with Morales. The U.S. should also work with Bolivia's neighbors—Brazil above all—to encourage moderation on the part of the Bolivian government and policies conducive to advances in the counternarcotics area. The extent to which Evo Morales is able to overcome his mistrust and dislike of the United States or, on the other hand, the degree to which he might translate these views into action, especially regarding Bolivia's international affairs, will be key factors as the bilateral relationship evolves.